

STATEMENT BY GRACE KOLVEREID OF AGL RESOURCES BEFORE THE SELECT REVENUE MEASURES AND
OVERSIGHT SUBCOMMITTEES OF THE HOUSE WAYS AND MEANS COMMITTEE

February 1, 2012

Thank you, Chairmen Tiberi and Boustany and Ranking Members Neal and Lewis, for the opportunity to submit testimony today before your subcommittees on the topic of “Harbor Maintenance Funding and Maritime Tax Issues.”

I am Grace Kolvereid, Vice President of Tax for AGL Resources in Atlanta, Georgia, and I am representing one of our affiliates, Tropical Shipping Company. Tropical Shipping, a 48-year old company headquartered in Riviera Beach, Florida, supplies freight-shipping needs to and from the Caribbean and The Bahamas from the port of Palm Beach.

Tropical Shipping, along with several other American shipping companies, has been very supportive of the H.R. 1031 in this Congress, as well as H.R. 2542 in the 111th Congress. Both of these identical bills were introduced by Chairman Tiberi and Congressman McDermott and we commend them for their initiative. We appreciate that the scope of this hearing includes H.R. 1031, the “American Shipping Reinvestment Act (ASRA) of 2011,” and our reasons for endorsing it.

Under an arcane 1970’s tax provision, U.S. shipping companies must maintain investments in qualified foreign shipping assets made between 1975 and 1986. Because any net decrease in these investments results in an immediate tax penalty, this provision has stranded significant capital of U.S. companies in foreign assets. ASRA would repeal this outdated provision and would also allow U.S. shipping companies a one-time opportunity to reinvest those prior year foreign source earnings at a reduced tax rate. Enacting ASRA would allow companies to bring these funds home and reinvest them in the U.S. shipping industry. We need to expand and grow our domestic maritime industry. As a result, ASRA would spur job growth by creating a broad and diverse range of well-paying employment opportunities for American workers. H.R. 1031 would repeal IRC Section 955, with rules that apply to

foreign shipping income earned between 1975 and 1986, and will allow these stranded assets to be reinvested in the United States under the same favorable tax terms that were in effect for all other companies and industries, as a result of the one-time return of stranded foreign assets at a reduced tax rate under the “American Jobs Creation Act of 2004.”

Without the commonsense and technical tax change in this legislation, these old, stranded assets will never return to the United States and never be subject to U.S. taxation.

The bill is guaranteed to create jobs for American workers with the funds being brought back into the U.S. economy-on the ships, in the shipyards building the ships, and in supporting businesses. The bill contains a provision that would impose a tax penalty if a shipping company reduces its full-time U.S. employment levels. The bill is strongly supported by maritime labor, shipyards and ship owners and operators and can provide a boost to the U.S. maritime industry at a time when the U.S. is struggling to find its economic footing.

Chairmen Tiberi and Boustany, Congress should enact ASRA this year, creating thousands of American seagoing and shoreside jobs and stimulating critical investments in American shipping companies that help sustain our economic and national security.

Thank you.